

BOGUE LUSA WATER WORKS DISTRICT

WASHINGTON PARISH COUNCIL
BOGALUSA, LOUISIANA

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2000

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6-6-01

**BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana**

General Purpose Financial Statements
As of and for the Year Ended December 31, 2000
With Supplemental Schedules

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana

We have audited the accompanying general purpose financial statements of the Bogue Lusa Water Works District, Louisiana, as of and for the year ended December 31, 2000, as listed in the table of contents. These financial statements are the responsibility of the Bogue Lusa Water Works District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bogue Lusa Water Works District, Louisiana, as of December 31, 2000, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2001 on our consideration of the Bogue Lusa Waterworks District, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Bogue Lusa Waterworks District, Louisiana, taken as a whole. The accompanying schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Bogue Lusa Water Works District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

Kentwood, Louisiana
February 2, 2001

**BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana**

Statement A

**PROPRIETARY FUND - ENTERPRISE FUND
(All Fund Types and Account Groups)**

**Balance Sheet
December 31, 2000**

ASSETS

Current Assets:

Cash	\$ 331,995
Accounts Receivable	29,741
Accrued Billings	<u>17,809</u>
Total Current Assets	<u>379,545</u>

Restricted Assets:

Customer Deposits -	
Cash	5,133
Bond Reserve Account -	
Cash	100,897
Depreciation and Contingency Account -	
Cash	<u>117,684</u>
Total Restricted Assets	<u>223,714</u>

Property, Plant and Equipment:

Land	20,025
Utility Plant, in Service	<u>2,312,853</u>
Total Property, Plant and Equipment	2,332,878
Less: Accumulated Depreciation	<u>(1,095,995)</u>
Net Property, Plant and Equipment	<u>1,236,883</u>
Total Assets	<u>\$ 1,840,142</u>

(Continued on the following Page)

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana**

Statement A

**PROPRIETARY FUND - ENTERPRISE FUND
(All Fund Types and Account Groups)**

**Balance Sheet
(Continued)
December 31, 2000**

LIABILITIES AND FUND EQUITY

Liabilities:

Current Liabilities (Payable From Current Assets):

Accounts Payable	\$ 3,087
Sales Tax Payable	1,059
Retainage Payable	-
Due to Other Governments	2,605
Revenue Bonds Payable - Current	<u>41,500</u>

Total Current Liabilities (Payable From Current Assets)	<u>48,251</u>
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Current Liabilities (Payable From Restricted Assets)

Customer Deposits	<u>12,200</u>
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Long-Term Liabilities:

Revenue Bonds Payable - Long-Term	<u>1,162,466</u>
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Total Liabilities	<u>1,222,917</u>
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Fund Equity:

Contributed Capital	123,311
Less Accumulated Amortization	<u>(63,705)</u>

Net Contributed Capital	<u>59,606</u>
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Retained Earnings:

Reserved for RUS Bond Interest and Redemption	100,897
Reserved for RUS Bond Depreciation and Contingency	117,684
Unreserved	<u>339,038</u>

Total Retained Earnings	<u>557,619</u>
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Total Fund Equity	<u>617,225</u>
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Total Liabilities and Fund Equity	\$ <u><u>1,840,142</u></u>
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(Concluded)

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana**

Statement B

PROPRIETARY FUND - ENTERPRISE FUND

**Statement of Revenues, Expenses, and
Changes in Unreserved Retained Earnings
For the Year Ended December 31, 2000**

OPERATING REVENUES

Charges for Services:

Water Sales	\$ 364,882
Installations	8,250
Penalties	3,708
Reconnect Fees	2,430
Other Revenues	<u>200</u>

Total Operating Revenues

379,470

OPERATING EXPENSES

Contract Operations & Maintenance	25,835
Contract Meter Readers	8,641
Contract Labor	30,151
Truck Expense	3,544
Electricity	27,964
Repairs & Maintenance	11,311
Board of Directors	2,400
Maintenance Supplies	19,827
Telephone	2,167
Insurance	12,293
Accounting Fees	6,675
Conventions & Seminars	420
Legal Services	-
Office Expense	6,132
Travel	61
NSF Checks	73
Mowing	1,700
Advertising	445
Bank Charges	56
Miscellaneous	-
Membership Dues	180
Cash Short/Over	-
Depreciation Expense	<u>80,381</u>

Total Operating Expense

240,256

Net Operating Income

139,214

(Continued on the following Page)

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana**

Statement B

PROPRIETARY FUND - ENTERPRISE FUND

**Statement of Revenues, Expenses, and
Changes in Unreserved Retained Earnings
(Continued)
For the Year Ended December 31, 2000**

NON-OPERATING REVENUE (EXPENSES):

Interest Income	\$ 15,400
Bond Interest Expense	(60,269)
Bad Debts	-
L P & L Refund	<u>466</u>
Total Non-Operating Revenue (Expenses)	<u>(44,403)</u>
Net Income (Loss)	94,811
Unreserved Retained Earnings, Beginning of Year	259,500
Add: Amortization of Contributions	4,110
Less: (Increase) in Reserve for Revenue Bond Retirement	(9,490)
(Increase) in Reserve for Revenue Bond Contingency	<u>(9,893)</u>
Unreserved Retained Earnings, End of Year	\$ <u>339,038</u>
(Concluded)	

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana**

Statement C

PROPRIETARY FUND - ENTERPRISE FUND

**Statement of Cash Flows
For the Year Ended December 31, 2000**

Cash flows from operating activities:

Operating Income		\$ 139,214
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	\$ 80,381	
Other Income	466	
Changes in Accounts Receivable	(4,502)	
Changes in Accrued Billings	(3,168)	
Changes in Accounts Payable and Accrued Expenses	(2,650)	
Changes in Retainage Payable	(32,105)	
Changes in Due to Other Governments	(1,479)	
Changes in Current Liabilities Payable from Restricted Assets	<u>(1,951)</u>	
Total adjustments		<u>34,992</u>
Net cash provided by operating activities		174,206
Cash flows from capital and related financing activities:		
Retirement of Revenue Bonds	(41,311)	
Proceeds From Revenue Bonds	70,900	
Interest Expense	(60,269)	
Capital Additions	<u>(118,962)</u>	
Net cash used by capital and related financing activities		(149,642)
Cash flows from investing activities:		
Interest Income	<u>15,400</u>	
Net cash provided by investing activities		<u>15,400</u>
Net cash increase (decrease) for year		39,964
Cash at beginning of year		<u>515,745</u>
Cash at end of year		\$ <u><u>555,709</u></u>

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana**

Notes to the Financial Statements
As of and for the Year Ended December 31, 2000

INTRODUCTION

Bogue Lusa Water Works District was established July 31, 1969, by an ordinance of the Washington Parish Council. The ordinance, enacted pursuant to Louisiana Revised Statutes 33:3813, describes and defines the boundaries of the water district, and provides for a 5-member governing board of commissioners appointed by the Washington Parish Council.

Bogue Lusa Water Works District was thus created and constitutes a public corporation and political subdivision of the State of Louisiana, and has all the power and privileges granted by the constitution and statutes of this state to such subdivision, including the authority to incur debt, to issue bonds, and to levy taxes and assessments.

Bogue Lusa Water Works District serves 1,352 water customers. The district does not have any employees, since the district contracts all of the billings and maintenance to outside contractors.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the Bogue Lusa Water Works District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

The district is a component unit of the Washington Parish Council, the financial reporting entity. The Council is financially accountable for the district because it appoints a voting majority of the board and has the ability to impose its will on them.

The accompanying financial statements present information only on the fund maintained by the district and do not present information on the Council, the general governmental services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. FUND ACCOUNTING

The Bogue Lusa Water Works District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are

BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana
Notes to the Financial Statements (Continued)

included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

Revenues

Fees for water services are recorded as revenues after the meters are read. Penalties are recorded after the grace period for payment of water services has expired. All other revenues are recorded when the service has been provided.

Expenditures

All operating expenses, except depreciation, are recorded when they are incurred. Depreciation is recorded each month over the life of the asset. Interest expense is recorded each month as the notes are paid.

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

F. INVENTORIES

Purchase of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

G. PREPAID ITEMS

Purchase of items regarded as having a future economical use are expensed when purchased, and prepaid amounts for such items are not recorded as assets at the close of the fiscal year.

H. RESTRICTED ASSETS

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

I. FIXED ASSETS

Fixed assets of the district are included on the balance sheet of the fund. Interest costs incurred during construction are capitalized. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of 25 to 30 years for water wells and lines and 10 to 15 years for equipment.

BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana
Notes to the Financial Statements (Continued)

J. COMPENSATED ABSENCES

The district does not have a policy relating to vacation and sick leave.

K. LONG-TERM LIABILITIES

Long-term liabilities are recognized within the Enterprise Fund.

L. FUND EQUITY

Contributed Capital

Grants, entitlements, or shared revenues received that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired from such contributions. This amortization is closed to the contributed capital account.

Reserves

Reserves represent those portions of fund equity legally segregated for a specific future use.

2. CASH AND CASH EQUIVALENTS

At December 31, 2000, the district has cash and cash equivalents (book balances) totaling \$555,709, as follows:

Demand Deposits	\$ 159,929
Interest-bearing Demand Deposits	90,318
Time Deposits	199,123
LAMP	106,339
Total	<u>\$ 555,709</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2000, the district has \$451,669 in deposits (collected bank balances). These deposits are secured from risk by \$205,000 of federal deposit insurance and \$246,669 of pledged securities held by the custodial bank in the name of the fiscal agent bank (Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana
Notes to the Financial Statements (Continued)

3. INVESTMENTS

In accordance with GASB Codification Section I50.165, the investment in LAMP at December 31, 2000, is not categorized in the three risk categories provided by GASB Codification Section I50.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Office Association of Louisiana, and the Society of Louisiana CPAs. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U. S. Treasury, the U. S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. Therefore LAMP is considered a cash equivalent.

4. RECEIVABLES

The following is a summary of accounts receivables at December 31, 2000:

Current	\$ 24,889
31-60 Days	3,514
61-90 Days	1,005
Over 90 Days	333
Total	<u>29,741</u>
Less: Allowance for Bad Debts	-
Accounts Receivable, Net	<u><u>\$ 29,741</u></u>

5. CONSTRUCTION IN PROGRESS

As of December 31, 2000, the district has construction on an extension to the system. This project is being financed by surplus funds of the district. The only cost of this project as of December 31, 2000 was engineering fees of \$10,602.

BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana
Notes to the Financial Statements (Continued)

6. FIXED ASSETS

A summary of fixed assets at December 31, 2000, follows:

Description	Life Yrs	Cost	Accumulated Depreciation	Net	Depreciation Current
Land & Right of Way		\$ 20,025	\$ -	\$ 20,025	\$ -
Phase I (1976)					
Water Well	30	61,479	48,145	13,334	2,049
Water Distribution System	30	443,466	347,380	96,086	14,782
Water Booster	30	30,575	23,949	6,626	1,019
Fencing	15	1,680	1,680	-	-
Phase II (1977)					
Water Distribution System	30	321,998	241,497	80,501	10,733
Water Well	30	65,556	49,166	16,390	2,185
Water Booster	30	27,700	20,773	6,927	923
Fencing	15	2,995	2,995	-	-
Phase III (1982)					
Water Distribution System	30	180,013	96,004	84,009	6,000
Water Well	30	137,969	73,584	64,385	4,599
Highway 21 Reloc. (1984)	30	130,253	67,299	62,954	4,342
Building	30	2,749	1,377	1,372	92
Phase IV (1992)					
Water Distribution System	30	298,763	74,692	224,071	9,959
Equipment	10	51,238	6,135	45,103	5,011
Improvements	30	545,817	41,319	504,498	18,687
Construction in Progress		10,602	-	10,602	-
Totals		<u>\$ 2,332,878</u>	<u>\$ 1,095,995</u>	<u>\$ 1,236,883</u>	<u>\$ 80,381</u>

All assets are depreciated by the straight-line method.

The utility plant and equipment in service records were reconstructed from the original construction files of the USDA Rural Utility Service.

BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana
Notes to the Financial Statements (Continued)

7. LONG-TERM LIABILITIES

The following is a summary of bond transactions of the Bogue Lusa Water Works District for the year ended December 31, 2000:

	1976 RUS Utility Revenue	1977 RUS Utility Revenue	1993 RUS Utility Revenue	1998 RUS Utility Revenue	Total
Bonds Payable January 1, 2000	\$ 316,955	\$ 255,949	\$ 272,373	\$ 329,100	\$ 1,174,377
Bonds Sold	-	-	-	70,900	70,900
Bonds Retired	(19,239)	(13,207)	(3,349)	(5,516)	(41,311)
Bonds Payable December 31, 2000	<u>\$ 297,716</u>	<u>\$ 242,742</u>	<u>\$ 269,024</u>	<u>\$ 394,484</u>	<u>\$ 1,203,966</u>

Bonds Payable at December 31, 2000, are comprised of the following individual Issues:

	Current Amount 12/31/00	Long-Term Amount 12/31/00	Total Principal Balance 12/31/00
1976 Revenue Bonds: \$540,000 utility bonds sold to RUS, dated 4/20/76; due in annual installments of \$4,000 - \$30,000 through April 20, 2012; interest at 5%	\$ 20,000	\$ 277,716	\$ 297,716
1977 Revenue Bonds: \$420,000 utility bonds sold to RUS, dated 9/28/77; due in annual installments of \$5,000 - \$20,000 through Sept. 28, 2013; interest at 5%	14,000	228,742	242,742
1993 Revenue Bonds: \$290,000 utility bonds sold to RUS, dated 3/08/93; due in monthly installments of \$1,542 through April 8, 2031; interest at 5.625%	3,500	265,524	269,024
1998 Revenue Bonds: \$400,000 utility bonds sold to RUS, dated 12/9/98; due in monthly installments of \$1,880 Through December 8, 2039; interest at 4.875%	4,000	390,484	394,484
	<u>\$ 41,500</u>	<u>\$ 1,162,466</u>	<u>\$ 1,203,966</u>

BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana
Notes to the Financial Statements (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2000, including interest payments of \$943,790 are as follows:

Year Ending December 31,	1976 RUS Revenue	1977 RUS Revenue	1993 RUS Revenue	1998 RUS Revenue	Total
2001	\$ 34,512	\$ 26,004	\$ 18,504	\$ 22,560	\$ 101,580
2002	34,512	26,004	18,504	22,560	101,580
2003	34,512	26,004	18,504	22,560	101,580
2004	34,512	26,004	18,504	22,560	101,580
2005	34,512	26,004	18,504	22,560	101,580
2006-2010	172,560	130,020	92,520	112,800	507,900
2011-2015	46,016	78,012	92,520	112,800	329,348
2016-2020	-	-	92,520	112,800	205,320
2021-2025	-	-	92,520	112,800	205,320
2026-2030	-	-	92,520	112,800	205,320
2031-2035	-	-	6,168	112,800	118,968
2036-2040	-	-	-	67,680	67,680
	<u>\$ 391,136</u>	<u>\$ 338,052</u>	<u>\$ 561,288</u>	<u>\$ 857,280</u>	<u>\$2,147,756</u>

8. FLOW OF FUNDS, RESTRICTIONS ON USE

The voters of the Bogue Lusa Waterworks District approved the issuance of \$540,000 and \$420,000 of the utility revenue bonds in elections held November 30, 1976, and March 5, 1977. The governing authority of the district adopted a resolution on February 25, 1976, authorizing issuance of \$540,000 of the utility revenue bonds - 1976 Series. On April 26, 1976, the district sold the \$540,000 authorized bonds to RUS. The governing authority of the district adopted a resolution on July 26, 1977, authorizing issuance of \$420,000 of the utility revenue bonds - 1977 Series. On September 28, 1977, the district sold the \$420,000 authorized bonds to RUS, also. Both bond issues were issued for forty (40) years payable with interest at the rate of five percent (5%) per annum. The bonds and any installment may be paid prior to the due date and maturity thereof at a price of par and accrued interest to the date of prepayment. The proceeds of the bonds were restricted to use for construction and improvements to the district's water system and are subject to the provisions of the above adopted resolutions. The 1976 issue of \$540,000 was used to construct Phase I of the district's waterworks system. The 1977 issue of \$420,000 was used to construct Phase II.

On September 30, 1982, the governing authority, after following the prescribed legal requirements, passed a resolution to issue \$350,000 of revenue bonds for the purpose of extending and improving the existing waterworks system. On June 27, 1983, \$300,000 of the bonds were sold to RUS under the same basic terms and conditions mentioned above for the 1976 and 1977 issues. The bonds were issued at par for 40 years with interest at 11.625%. During the year ended December 31, 1989, RUS reduced the interest rate of the bonds from 11.625% to 9.125%. The reduced rate was amortized back to the inception of the bonds. The loan adjustment applied \$14,903 more to principal reduction in the year 1989 than was actually paid. Total payments for 1989 on this 1983 issue were \$35,484. As a result of this rate reduction, the principal balance was reduced \$50,387. Interest expense was reduced by \$14,903 in the year 1989. On March 23, 1998, the governing authority paid off the remaining balance of this loan.

**BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana
Notes to the Financial Statements (Continued)**

On July 9, 1992, the governing authority, after following the prescribed legal requirements, passed a resolution to issue \$290,000 of revenue bonds for the purpose of extending and improving the existing water works system. On March 8, 1993, \$290,000 of the bonds were sold to RUS under the same basic terms and conditions as the original 1976 and 1978 issues. The bonds were issued at par for 40 years with interest at 5.625%.

On October 8, 1998, the governing authority, after following the prescribed legal requirements, passed a resolution to issue \$400,000 of revenue bonds for the purpose of extending and improving the existing water works system. On December 9, 1998, \$400,000 of the bonds were sold to RUS under the same basic terms and conditions as the original 1976 and 1978 issues.. The bonds will be issued at par for 40 years with interest at 4.785%.

Under the terms of the bond proceeds to the district, the bonds are payable as to principal and interest solely from the income and revenues derived from the operation of the combined water system of the district after provision has been made for payment of the reasonable and necessary expenses of administering, operating, and maintaining of the system.

The district is to maintain its water rates at minimum amounts and increase these rates as necessary in accordance with its loan agreements with the USDA Rural Utility Service. Each month there will be set aside into a fund called "Bond and Interest Sinking (Redemption) Fund" a sum equal to one-twelfth (1/12) of the interest due on the next interest payment due and, in addition, a sum equal to one-twelfth (1/12) of the next principal payment due, together with such proportionate sum as may be required as the same respectfully become due on such date. Money in the Sinking Fund shall be deposited as trust funds and shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments. Alternately, RUS has set up a payment schedule whereby the district can make payments directly to its office. This eliminates the need of the "Bond and Interest Sinking Fund".

There shall also be set aside into a "Utility System Revenue Bond Reserve Fund" a sum equal to five percent (5%) of the monthly bond payment after the construction becomes revenue producing until there is accumulated therein an amount equal to the highest annual debt service payment in any future year. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Sinking Fund as to which there would otherwise be default. The district has made all of the required "Bond Reserve" payments.

Funds will also be set into a "Depreciation and Contingency Fund" at the rate of \$500 per month. Money in this fund will be used for the making of extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition, enhance its revenue producing capacity or provide for a higher degree of service for which money is not available as a maintenance and operation expense. Money in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payments in other bond funds. The district has made all of the required "Depreciation and Contingency Fund" payments.

All the revenues received in any year and not required to be paid in such year into any of the noted funds shall be regarded as surplus and may be used for any lawful corporate purpose.

9. FUND EQUITY

Reserved Retained Earnings is created in conjunction with the issuance of revenue bonds and is funded by transfers from the revenue account, based on assets held by the water district that are restricted for bond payments. The purpose of the reserved retained earnings is to service the revenue bonds.

BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana
Notes to the Financial Statements (Continued)

10. LITIGATION CLAIMS

There are no pending litigations as of December 31, 2000.

11. INTERGOVERNMENTAL AGREEMENT

The Bogue Lusa Waterworks District entered into a service agreement with the Varnado Waterworks District. The Varnado Waterworks District will perform all necessary functions involving billing of customers, collection of customer's accounts, keeping and furnishing necessary financial information and records on a monthly basis for the Bogue Lusa Water Works District. The fee for this service is \$1.75 per customer per month, payable monthly. Varnado Waterworks District will provide all system repair and maintenance customarily done by its own personnel. Accurate hourly records of personnel records involved in repairs shall be kept and Bogue Lusa Water Works District will be billed monthly at two times the employees hourly rate. All materials, parts and supplies will be paid directly by the district which incurred the cost. Varnado Waterworks District employees will keep accurate mileage records for the service truck used for maintenance and repairs and will bill the Bogue Lusa Waterworks District 35 cents per mile for work done on their respective systems. Periodically, an accounting will be made of the costs of the services provided under the agreement. Cash settlements will be made between the districts, so each district pays its portion of the actual costs.

12. CONSTRUCTION COMMITMENTS

On December 7, 2000, the Bogue Lusa Waterworks District entered into an contract for the purpose of extensions to the waterworks system of the district. This only cost of the project incurred as of December 31, 2000 was for engineering fees. The remaining cost of this project is estimated at \$110,716. This project is expected to be funded by surplus funds of the district.

13. WATER RATES

The water rates of the district as of December 31, 2000 are as follows:

RESIDENTIAL RATES:

- \$10.00 per month for the first 2,000 gallons
- \$1.90 per thousand or part thereof, next 8,000 gallons
- \$1.50 per thousand or part thereof, all over 10,000 gallons

COMMERCIAL RATES:

- \$35.00 per month for first 15,000 gallons
- \$1.50 per thousand or part thereof, all over 15,000 gallons

SUPPLEMENTAL INFORMATION

**BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana**

Schedule 1

**PROPRIETARY FUND - ENTERPRISE FUND
(All Fund Types and Account Groups)**

**Comparative Balance Sheet
December 31, 2000 and 1999**

ASSETS	<u>2000</u>	<u>1999</u>
Current Assets:		
Cash	\$ 331,995	\$ 311,547
Accounts Receivable	29,741	25,239
Accrued Billings	<u>17,809</u>	<u>14,641</u>
Total Current Assets	<u>379,545</u>	<u>351,427</u>
Restricted Assets:		
Customer Deposits -		
Cash	5,133	5,000
Bond Reserve Account -		
Cash	100,897	91,407
Depreciation and Contingency Account -		
Cash	<u>117,684</u>	<u>107,791</u>
Total Restricted Assets	<u>223,714</u>	<u>204,198</u>
Property, Plant and Equipment:		
Land	20,025	20,025
Utility Plant, in Service	<u>2,312,853</u>	<u>2,193,891</u>
Total Property, Plant and Equipment	2,332,878	2,213,916
Less: Accumulated Depreciation	<u>(1,095,995)</u>	<u>(1,015,614)</u>
Net Property, Plant and Equipment	<u>1,236,883</u>	<u>1,198,302</u>
Total Assets	<u>\$ 1,840,142</u>	<u>\$ 1,753,927</u>

(Continued on the following Page)

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana**

Schedule 1

**PROPRIETARY FUND - ENTERPRISE FUND
(All Fund Types and Account Groups)**

**Comparative Balance Sheet
(Continued)
December 31, 2000 and 1999**

LIABILITIES AND FUND EQUITY

Liabilities:	<u>2000</u>	<u>1999</u>
Current Liabilities (Payable From Current Assets):		
Accounts Payable	\$ 3,087	\$ 6,006
Sales Tax Payable	1,059	790
Retainage Payable	-	32,105
Due to Other Governments	2,605	4,084
Revenue Bonds Payable - Current	<u>41,500</u>	<u>38,000</u>
Total Current Liabilities (Payable From Current Assets)	<u>48,251</u>	<u>80,985</u>
Current Liabilities (Payable From Restricted Assets)		
Customer Deposits	<u>12,200</u>	<u>14,151</u>
Long-Term Liabilities:		
Revenue Bonds Payable - Long-Term	<u>1,162,466</u>	<u>1,136,377</u>
Total Liabilities	<u>1,222,917</u>	<u>1,231,513</u>
Fund Equity:		
Contributed Capital	123,311	123,311
Less Accumulated Amortization	<u>(63,705)</u>	<u>(59,595)</u>
Net Contributed Capital	<u>59,606</u>	<u>63,716</u>
Retained Earnings:		
Reserved for RUS Bond Interest and Redemption	100,897	91,407
Reserved for RUS Bond Depreciation and Contingency	117,684	107,791
Unreserved	<u>339,038</u>	<u>259,500</u>
Total Retained Earnings	<u>557,619</u>	<u>458,698</u>
Total Fund Equity	<u>617,225</u>	<u>522,414</u>
Total Liabilities and Fund Equity	\$ <u>1,840,142</u>	\$ <u>1,753,927</u>

(Concluded)

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana**

Schedule 2

**PROPRIETARY FUND - ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
UNRESERVED RETAINED EARNINGS
(BUDGET AND ACTUAL)**

**For the Year Ended December 31, 2000
and Actual For the Year Ended December 31, 1999**

OPERATING REVENUES			Variance- Favorable	1999
Charges for Services:	Budget	Actual	(Unfavorable)	Actual
Water Sales	\$ 364,000	\$ 364,882	\$ 882	\$ 332,005
Installations	9,000	8,250	(750)	9,750
Penalties	3,600	3,708	108	3,876
Reconnect Fees	2,500	2,430	(70)	2,715
Other Revenues	730	200	(530)	235
	<u>379,830</u>	<u>379,470</u>	<u>(360)</u>	<u>348,581</u>
Total Operating Revenues				
 OPERATING EXPENSES				
Contract Operations & Maintenance	28,000	25,835	2,165	24,703
Contract Meter Readers	11,000	8,641	2,359	10,212
Contract Labor	32,000	30,151	1,849	33,141
Truck Expense	3,500	3,544	(44)	3,679
Utilities	30,000	27,964	2,036	27,577
Repairs & Maintenance	17,000	11,311	5,689	20,639
Board of Directors	2,600	2,400	200	3,000
Maintenance Supplies	23,000	19,827	3,173	13,204
Telephone	2,500	2,167	333	1,861
Insurance	16,500	12,293	4,207	8,991
Accounting Fees	7,500	6,675	825	5,650
Conventions & Seminars	500	420	80	417
Legal Services	-	-	-	666
Office Expense	6,500	6,132	368	6,284
Travel	-	61	(61)	240
NSF Checks	175	73	102	(129)
Mowing	1,600	1,700	(100)	730
Advertising	300	445	(145)	311
Bank Charges	-	56	(56)	-
Miscellaneous	100	-	100	-
Membership Dues	200	180	20	150
Cash Short/Over	100	-	100	-
Depreciation Expense	70,000	80,381	(10,381)	60,363
	<u>253,075</u>	<u>240,256</u>	<u>12,819</u>	<u>221,689</u>
Total Operating Expense				
 Net Operating Income	<u>126,755</u>	<u>139,214</u>	<u>12,459</u>	<u>126,892</u>
(Continued on the following Page)				

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana**

Schedule 2

**PROPRIETARY FUND - ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
UNRESERVED RETAINED EARNINGS
(BUDGET AND ACTUAL)**

**For the Year Ended December 31, 2000
and Actual For the Year Ended December 31, 1999**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>	<u>1999 Actual</u>
NON-OPERATING REVENUE (EXPENSES):				
Interest Income	\$ 12,000	\$ 15,400	\$ 3,400	\$ 11,026
Bond Interest Expense	(65,000)	(60,269)	4,731	(45,292)
Bad Debts	-	-	-	-
Other	-	466	466	17,494
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Non-Operating Revenue (Expenses)	<u>(53,000)</u>	<u>(44,403)</u>	<u>8,597</u>	<u>(16,772)</u>
 Net Income	 <u>\$ 73,755</u>	 94,811	 <u>\$ 21,056</u>	 110,120
 Unreserved Retained Earnings				
Beginning of Year		259,500		165,013
 Add: Amortization of Contributions		4,110		4,110
 Less: (Increase) in Reserve for Revenue				
Bond Retirement		(9,490)		(9,749)
(Increase) in Reserve for Revenue				
Bond Contingency		<u>(9,893)</u>		<u>(9,994)</u>
 Unreserved Retained Earnings, End of Year		 <u>\$ 339,038</u>		 <u>\$ 259,500</u>

(Concluded)

**BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana**

Schedule 3

**SCHEDULE OF COMPENSATION PAID BOARD MEMBERS
For the Year Ended December 31, 2000**

The schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

<u>NAME</u>	<u>Amount</u>
Melvin Martin, President	\$ 550
Howard Stewart, Secretary	440
Melvin Fuller, Vice-President	450
Jim Willis, Commissioner	480
Jean Slaughter, Commissioner	480
Total Compensation Paid	<u>\$ 2,400</u>

<u>Board of Commissioners</u>	<u>Address</u>	<u>Term of Office</u>
Melvin Martin, President	2675 S. Columbia Rd. Bogalusa, LA 70427	01/01/96 to 12/31/00
Howard Stewart	11175 Pine Ridge Rd. Bogalusa, LA 70427	01/01/99 to 12/31/03
Melvin Fuller	13266 Hwy 21-S Bogalusa, LA 70427	01/01/98 to 12/31/02
Jim Willis	29081 LA Hwy 1074 Bogalusa, LA 70427	01/01/97 to 12/31/01
Jean Slaughter	58438 Hwy 60 Bogalusa, LA 70427	01/01/96 to 12/31/00

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana**

Schedule 4

**SCHEDULE OF INSURANCE
December 31, 2000**

<u>Insurance Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Period</u>
Travelers Indemnity Company Policy BM T1 50 08 93	Boiler and Machinery Coverage: Water Pumping Station	\$405,000	02/28/00 - 02/28/01
Louisiana Workers' Compensation Corporation Policy 401271	Workers' Compensation	Statutory Limits	Continuing Policy
Gulf Insurance Company Policy GA 0427424	Commercial General Liability: Products Completed Operations Personal & Advertising Injury Fire, Lightning, Explosion Damage Medical Expense Commercial Property: With Pumps Office Building Contents Metal Building Business Auto: Liability Uninsured Motorist Comprehensive Collision Public Officials' Liability: Any One Claim Annual Aggregate	\$ 1,000,000 1,000,000 1,000,000 5,000 300,000 85,000 20,000 8,000 1,000,000 1,000,000 AVC Per Auto AVC Per Auto 1,000,000 1,000,000	02/28/00 - 02/28/01
CNA Surety Company Bond # 18216102	Position Fidelity Bond: President Vice-President Board Member Office Manager Clerk	\$ 100,000 100,000 100,000 100,000 25,000	11/16/00 - 11/16/01

The district does not carry workmen's compensation insurance or fire and extended coverage insurance. The district is of the opinion that the management contract with the Varnado Waterworks District indemnifies them against workmen's compensation claims through the contract manager's policies. See Footnote 11. The district is of the opinion that the district's limited exposure does not justify carrying insurance for fire and extended coverage.

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana**

Schedule 5

**SCHEDULE OF CHANGES IN ASSETS RESTRICTED
FOR USDA RURAL UTILITY SERVICE
AND
SCHEDULE OF WATER CUSTOMERS
For the Year Ended December 31, 2000**

	<u>Bond Reserve</u>	<u>Bond Depreciation and Contingency</u>	<u>Total</u>
Cash Balance, January 1, 2000	\$91,407	\$107,791	\$199,198
Cash Receipts:			
Transfers From Operating Account	6,000	6,000	12,000
Interest Earned	3,490	3,893	7,383
Cash Disbursements	<u>-</u>	<u>-</u>	<u>-</u>
Cash Balance, December 31, 2000	<u>\$100,897</u>	<u>\$117,684</u>	<u>\$218,581</u>

SCHEDULE OF WATER CUSTOMERS

As of December 31, 2000, the district had the following number of customers.

Water-Residential	1,331
Water-Commercial	20
Water-School	<u>1</u>
Total Water Customers	<u>1,352</u>

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana**

Schedule 6

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended December 31, 2000**

Section I - Internal Control and Compliance Material to the Financial Statements:

There was no Prior Year Audit Findings

Section II - Internal Control and Compliance Material to Federal Awards:

There was no Prior Year Audit Findings.

Section III - Management Letter:

There was no Prior Year Management Letter.

**BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH COUNCIL
Bogalusa, Louisiana**

Schedule 7

**Corrective Action Plan for Current Year Audit Findings
For the Year Ended December 31, 2000**

Section I - Internal Control and Compliance Material to the Financial Statements:

Reference Number: 2000-01

Description of Finding:

During the year, the district has 12 CDs that mature either semi-annually or annually. It was discovered that for the year ended December 31, 2000, that the file on the CDs was incomplete. There was no copy of the new CDs purchased on four different CDs during the year, and there was no copy of one CD that was in effect at the end of the year. However, all CDs were accounted for by the auditor at the end of the year.

Recommendation:

It is recommended that the district keep strict records of when CDs mature and are renewed during the year. The district should consider combining the CDs of each separate restricted account, in order to keep the record keeping at a minimum. The district should also consider moving these funds into LAMP, which can easily keep track of each restricted account, and money can be taken out of these accounts at anytime without a penalty being incurred.

Correction Action Planned:

The management of the district will put into affect immediately one of the above recommendations.

Name of Contact Person:

Mary Thigpen, Manager
Bogue Lusa Waterworks District
(504) 735-1669

Anticipated Completion Date:

The above recommendation will be implemented during the remainder of the current fiscal year.

Section II - Management Letter

No Section II Findings.

Bruce C. Harrell, CPA

Warren A. Wool, CPA
Michael P. Estay, CPA
Dale H. Jones, CPA
Charles P. Hebert, CPA
James D. Rabalais, CPA

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MEMBERS
American Institute of CPAs
Society of Louisiana CPAs

**REPORT BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners
Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana

We have audited the general purpose financial statements of the Bogue Lusa Water Works District, as of and for the year ended December 31, 2000, and have issued our report thereon dated February 2, 2001. We have conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Bogue Lusa Water Works District financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect in the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bogue Lusa Waterworks District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which is described in the accompanying schedule of findings and questioned costs as item 2000-1.

This report is intended for the information of management, the Louisiana Legislative Auditor, and the USDA Rural Utility Service. However, this report is a matter of public record and its distribution is not limited.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation
Kentwood, Louisiana
February 2, 2001